Health Care Reform
Conference Committee Bill

April 3, 2006
Joint Caucus for House Members

HIGHLIGHTS:

- Covers 95% of the uninsured in 3 years
- Preserves federal Medicaid funding
- Simplifies health insurance for small businesses
- Reforms Uncompensated Care
- Promotes financial stability of health care system
- Promotes cost-effective, high quality care
- Everyone “plays their part”: individuals, government, health care providers, employers

Health Care Coverage – Today:

- Approximately 550,000 people are uninsured in Massachusetts.
- Most are people with less access to Employer Sponsored Coverage:
  - Low-income
  - Part-time and seasonal workers
  - Single, childless adults
  - Young adults just starting out

Strategies to improve coverage:

- Commonwealth Health Insurance Connector:
  - Reduces administrative burden for small business
  - Makes it easier to find affordable policies
  - Allows more people to buy insurance with pre-tax dollars, reducing price by 25% or more
  - Allows part-time and seasonal employees to combine employer contributions in the Connector
  - Individuals can keep policy, even if job changes

More Strategies to improve coverage

- Market Reforms:
  - Merger of the non-group and small group markets, reducing premiums for individuals by 25%.
  - Prior to merger, state will commission a study of merger in context of the bill's provisions.

- New Products:
  - Existing high-deductible plans can now be tied to Health Savings Accounts
  - Family plans to allow young adults to stay on the policy for two years past loss of dependency, or until 25, whichever occurs first
  - Industry can develop special products for 19-26 year olds, offered through the Connector

A special note on insurance products:

- The Commonwealth's regulatory framework for health insurance is strongly pro-consumer.
- This bill maintains comprehensive health insurance plans. No changes are made to limits on deductibles, co-payments, or co-insurance.
- New products on the market can take advantage of better value hospitals, doctors, and other providers to create more affordable products.
- The bill gives favorable state tax treatment to Health Savings Accounts – high-deductible plans are currently available, but without this financially advantageous tool.

More Strategies to improve coverage

- Subsidies:
  - Commonwealth Care Health Insurance Program:
    - Sliding-scale subsidies to individuals with incomes below 300% of the Federal Poverty Level (FPL)($48,000 for a family of 3)
    - NO PREMIUMS for people with incomes below 100% FPL ($9,700 for an individual)
    - NO DEDUCTIBLES
  - Insurance Partnership Program
    - Eligibility for employee participation raised from 200% to 300% FPL
- Medicaid
  - Coverage of children up to 300% FPL – parents can buy cheaper individual or couples' policies
  - Raise enrollment caps on Essential, CommonHealth, HIV program
  - Restore all benefits cut in 2002- including dental and vision services

Plan meets terms of Medicaid waiver renewal:

- Spending on Medicaid for FY07 and 08 projected to be within federal spending cap
- Reflects shift toward spending federal “safety net care” funds on coverage for individuals instead of institutions serving the uninsured
- Expect plan to be approved by the federal Centers for Medicare and Medicaid (CMS)

Reforms Uncompensated Care:

- Eliminates current pool as of Oct.1, 2007
- Replaces it with Safety Net Care (SNC) Fund
- Administered by SNC Office, in Medicaid
  - (resources moved from current pool administrator, Division of Health Care Finance and Policy)
- SNC Office develops standard fee schedule to reimburse uncompensated care
- As pool use drops, money shifted to subsidy program

Promotes stability of health care system:

- Support for Boston Medical Center and Cambridge Health Alliance as they adjust to change from “Free Care” reimbursements to subsidized insurance premiums
- Medicaid providers receive overdue rate increases over next three years
  - total of $230M for hospitals across the state; $40.4M for physicians
- Move to Safety Net Care standard fee schedule will help community hospitals
- Creates an Essential Community Provider grant program to provide targeted support to safety net hospitals and community health centers

Promotes cost-effective, quality care

- Medicaid rate increases are tied to achieving performance goals in FY08 and FY09
- Health Care Quality and Cost Council created to set quality improvement and cost containment goals
- Council will host website offering provider cost and quality data to consumers
- Connector will promote “high value” insurance products

EVERYONE "plays their part"!

- Individuals:
  - As of July 1, 2007, individuals must have health insurance
  - Individuals who cannot afford insurance, as determined by the Connector, are not penalized
  - Income tax forms will include a question about your insurance status for the tax year. DOR will verify coverage through an insurance industry database
  - Penalties for not having insurance:
    - Tax year 2007: loss of the personal exemption
    - Subsequent tax years: A fine equaling 50% of the monthly cost of health insurance for each month without insurance

Why is an Individual Mandate Necessary?

- Every taxpayer pays for uninsured who need emergency care.
  - Requiring those who can afford it to purchase coverage is fair.
- Research has shown voluntary measures aren't enough.
  - Regardless of the price of insurance, some people will hedge their bets and go without.
- No health care reform proposal without an individual mandate has ever been projected to enroll more than half of the uninsured.
- Through a mandate, those who are healthy and currently uninsured will enter the insurance risk pool and help stabilize the cost for everyone.

The Employer Contribution Today

- Employers who PROVIDE coverage help pay the cost of free care through an insurance surcharge.
- Employers who DO NOT provide coverage don't pay this premium.
- It's time to ask ALL employers to contribute to the cost of providing health care to the uninsured.

The FAIR SHARE Contribution

- Employers who don't make a "fair and reasonable" contribution will be required to make a per-worker "fair share" contribution.
  - Contribution represents the cost of free care used by the employees of non-contributing employers
  - Contribution capped at $295 per full-time-equivalent employee, per year.
- Businesses with 10 or fewer employees will not be subject to the contribution.
- The amount will be pro-rated for temporary or seasonal employees who work for at least 30 days in a year.
- "Mandatory Offer of Section 125 Plan"
  - This provision requires that, as of Jan.1, 2007, all employers with 11 or more workers must adopt a "cafeteria plan" as defined in federal law, which permits workers' purchase of health care with pre-tax dollars. The plan must be filed with the Connector.

Employers "Free Rider"

- Employers with 11 or more employees who do not "offer to contribute toward, or arrange for the purchase of health insurance" may be assessed a "free rider" surcharge, IF:
  - Their employees access free care a total of five times per year in the aggregate or one employee accesses free care more than three times.
  - Division of Health Care Finance and Policy assesses the surcharge: which "shall be greater than 10%, but no greater than 100% of the cost to the state" of the free care, with the first $50,000 of costs exempted.

Funding

- Plan leverages federal matching $$ to enhance some state spending
- Uncompensated Care $$ redeployed
- Employer contributions
- $125M from the General Fund

Additional Provisions:

- Includes measures aimed at reducing racial and ethnic disparities:
  - Requires hospitals to collect and report on health care data related to race, ethnicity and language.
  - Medicaid “pay for performance” measures include reducing racial and ethnic disparities.
  - A study to develop a sustainable Community Health Outreach Worker Program to help eliminate health disparities and remove linguistic barriers to care.
  - Creates a Health Disparities Council, to continue the work of the Special Commission on Racial and Ethic Health Disparities.

Additional Provisions:

- $20M in funding for public health and prevention programs
- $5M for Massachusetts Technology Collaborative's Computerized Physician Order Entry (CPOE) initiative

Additional Provisions:

- Wellness Program participation and smoking cessation can reduce MassHealth premiums for expansion population
- Insurers may offer discounted premiums to non-smokers
- Disability standards for MassHealth not more restrictive than for Social Security